



LEAGUE OF CONSERVATION VOTERS

Date: May 22, 2018

To: Members of the Michigan House Energy Policy Committee

From: Kara Cook, Government Affairs Manager | Nick Occhipinti, Government Affairs Director

Re: Support of the Energy Freedom Package (House Bills 5861, 5862, 5863, 5864, 5865)

The Michigan League of Conservation Voters (LCV) is the non-partisan, political voice for Michigan's land, air, and water. On behalf of our statewide membership and our Board of Directors, Michigan LCV expresses our support of House Bills 5861, 5862, 5863, 5864, and 5865. Michigan LCV reserves the right to score in favor of YES votes on all the bills in this package.

Michigan has made progress cleaning our electric grid, but our state continues to have some of the highest residential utility rates. The Michigan Legislature now needs to enact policies that remove barriers to clean and efficient energy development, so that Michiganders can fully maximize the cost savings provided by renewable energy.

The Energy Freedom bill package will remove barriers to investing in and using renewable energy. Taken together, these bills would streamline the process for businesses, farmers, residents, or places of worship to offset their energy cost by generating their own renewable energy while allowing them to receive a fair and competitive price for their generation. According to the U.S. Energy Information Administration (EIA), Michigan residential ratepayers have the highest electric rates in the Midwest and the 10th highest rates in the United States. The EIA estimates that Michigan households would save \$1 billion annually on their electric bills if our rates were the same as the Midwest average. By balancing out one's energy costs, it will allow individuals and organizations the freedom they need to spend their hard-earned money. These bills also help improve our economy, provide good-paying jobs, increase the use of cleaner sources of energy, and create a healthier Michigan.

House Bill 5861: Enables Community Solar Gardens | Rep. Gary Glenn

This bill provides another option for individuals, organizations, and businesses to leverage their renewable energy investment and energy production potential through a Community Renewable Energy Garden. These programs would allow customers to subscribe to an offsite solar array and receive a monthly bill credit for the generation proportional to their subscription amount.

Aside from an individual investing in their own solar array, there are few solar options available to Michiganders and many individuals do not have the means to afford or appropriate citing to house a solar array on their property. In fact, over 75% of households do not have access to low-cost rooftop solar. A recent VoteSolar poll just published that 80% of Michiganders want more solar energy in the State. It is important to ensure that all Michiganders, regardless of income, have the opportunity to choose local, reliable, and cost-effective clean energy solutions. If enacted this bill could make solar energy affordable, accessible, and practical for many more consumers.

Specifically the bill allows for customers to subscribe to an offsite solar array and receive a monthly bill credit for the generation proportional to their subscription amount.

Cd -Systems are limited to 5 MW, and have 10 or more subscribers

-No subscriber can hold more than a 40% stake (except the owner), and 40% of the subscriptions have to be 25KW or less.

-A subscriber contract cannot provide more than 120% of their average consumption.

-Electric providers are required to purchase electricity in proportion to that provider's peak demand, and as regulated by the PSC, only in the electric service area where the garden is located, through a net metering credit against each subscribers bill minus provider delivery costs.

-The bill calls for the development of mechanisms, incentives and financing options to provide economic benefits and siting in low-income communities.

-It also calls for MPSC rate recovery process, including renewable energy credits, for energy purchased by providers from the Solar Gardens.

House Bill 5862 and 5863: Require Fair Value Pricing for up to and over 500KW | Reps. Scott Dianda and Yousef Rabhi

HB 5862 and 5863 would ensure that individuals or organizations who invest in distributed generations systems are compensated for their generation in the same way that the utilities would pay themselves for producing the same renewable energy. Under House Bill 5863, the Michigan Public Service Commission (MPSC) would be required to establish the distributed generation value methodology to set the fair value price for up to 500 KW. Under this model both the generating customer and the utility are fairly compensated. The Fair Value Price methodology accounts for the value of the renewable energy, its delivery, generation capacity, transmission capacity, transmission and distribution line losses, environmental value, and other values that are not always considered in current energy prices. House Bill 5862 would extend fair value pricing beyond 500 KW and include options for combined heat and power. It would also create a pricing methodology that does not include the transmission for energy put back on the grid in excess of what is consumed on site.

Net metering is working in Michigan because individual customers can readily calculate the impact of distributed generation on their energy costs versus the upfront investment in order to determine if an investment in those resources is wise. PA 341 directed the MPSC to conduct a study and approve a tariff for DG customers with the requirement that the tariff be "equitable" in the recovery of the "cost of service." Earlier this Spring, the MPSC released a recommendation to move to an inflow/outflow billing mechanism whereby inflow (the customer energy purchases from the utility) would be priced at the full retail rate, while the outflow to the grid (the customer's generation) would *initially* be valued at the utilities (PURPA) avoided cost and later determined in individual utility rate cases. This recommendation will lead to confusion and uncertainty in Michigan's renewable energy market and did not take into account many of the values that distributed generation brings to the grid. In order to continue to grow onsite renewable energy in Michigan, the state needs to direct the MPSC to create a Fair Value Pricing methodology to ensure an equitable grid charge for distributed generation customers.

House Bill 5864: Removes the Net-Metering Cap | Rep. Tom Barrett

This bill would remove that cap on distributed generation and allows more people to safely become energy independent. Participation will be based solely on meeting the interconnection and equipment requirements. Participants are compensated through a credit on their bill.

Right now over 2,500 people in Michigan offset their energy costs by producing their own renewable energy but Michigan has one of the lowest caps in the country. Under the current net metering program, the number of participants is capped at 1% of a utilities 5 year average in-state peak load and of that 1% only 0.5% is open to customers with a system of 20 KW or less. Statewide, Michigan is only at .25% of the 1% cap but certain

areas, like the residents served by UPCO, the cap has been hit. In areas like the Upper Peninsula where rates are the highest in the continental United States, it is unacceptable that residents are not allowed to invest in distributed generation programs to help lower their costs.

House Bill 5865: Allows the Use of Microgrids for Critical Facilities | Rep. Steve Johnson

This bill would allow in the case of power outages, for critical facilities to access the energy that they produce onsite through the allowance of microgrids.

Currently, in the case of a power outage, even residents with onsite renewable energy are not able to access the energy they are generating because they are connected to the main electricity grid. Microgrids would allow customers with onsite generation to "island" themselves off from the main electricity grid and continue to use the energy that their systems are producing. This bill would add resiliency to the grid and allow hospitals, military bases and other emergency services to enable a microgrid and an off-the-grid energy source (like solar energy) that's more reliable than backup generators, allowing first-responders to stay powered during crises.

Michigan LCV respectfully request that members of the House Energy Policy Committee support HB 5861-5865. Again, please note that Michigan LCV reserves the right to score in favor of YES votes.

